



1-1-1984

Guidelines for Aiding Tennessee Municipalities in Securing Insurance Bids

Wm. Gary Head
University of Tennessee, Knoxville

Mike Tallent
University of Tennessee, Knoxville

Follow this and additional works at: http://trace.tennessee.edu/utk_mtaspubs

 Part of the [Public Administration Commons](#)

The MTAS publications provided on this website are archival documents intended for informational purposes only and should not be considered as authoritative. The content contained in these publications may be outdated, and the laws referenced therein may have changed or may not be applicable to your city or circumstances.

For current information, please visit the MTAS website at: mtas.tennessee.edu.

Recommended Citation

Head, Wm. Gary and Tallent, Mike, "Guidelines for Aiding Tennessee Municipalities in Securing Insurance Bids" (1984). *MTAS Publications: Full Publications*.
http://trace.tennessee.edu/utk_mtaspubs/23

This Report is brought to you for free and open access by the Municipal Technical Advisory Service (MTAS) at Trace: Tennessee Research and Creative Exchange. It has been accepted for inclusion in MTAS Publications: Full Publications by an authorized administrator of Trace: Tennessee Research and Creative Exchange. For more information, please contact trace@utk.edu.

Insurance

GUIDELINES FOR AIDING TENNESSEE MUNICIPALITIES IN SECURING INSURANCE BIDS

JANUARY 1984

WM. GARY HEAD & M. MICHAEL TALLENT



Compiled by
MUNICIPAL TECHNICAL ADVISORY SERVICE
of The University of Tennessee
in cooperation with The Tennessee Municipal League

Authorization Number E14-1050-00-010-84

ARCHIVES
Do Not Remove

GUIDELINES
FOR AIDING
TENNESSEE MUNICIPALITIES
IN SECURING
INSURANCE BIDS

BY

Wm. Gary Head
M. Michael Tallent

Municipal Technical Advisory Service
Institute for Public Service
The University of Tennessee
In Cooperation with the
Tennessee Municipal League

Helping Municipal Government Officials

Build a Better Tennessee

Municipal Technical Advisory Service

The University of Tennessee • 891 Twentieth Street • Knoxville, Tennessee 37996-4400 • Telephone 615/974-5301

Dear City Official:

It is hoped that this document, Guidelines For Aiding Tennessee Municipalities In Securing Insurance Bids, will be of assistance to you and your city in its insurance program. It represents the best collective thinking of our professional staff at this point in time. Gary Head, MTAS Assistant Director, and Mike Tallent, MTAS Municipal Consultant serving west Tennessee, have served MTAS and Tennessee cities well through their dedication and work in seeing the task of producing this publication through to completion.

This manual is part of the on-going process in MTAS of publishing information and guides to aid municipal officials in many areas where they are required to make complicated decisions.

As always, MTAS Consultants are available to provide additional assistance if it is needed.

Respectfully,



C. L. Overman

Executive Director

CL0:aal

Helping City, County, State Government,
Business and Industry Officials
Build a Better Tennessee



Institute for Public Service

The University of Tennessee • Suite 109, Student Services and Administration Building • Knoxville 37996-0212 • Telephone 615/974-6621

Dear City Official:

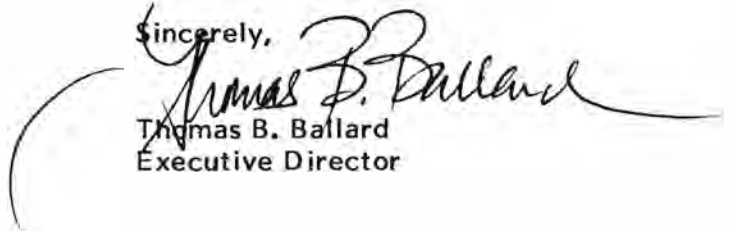
The University of Tennessee's Municipal Technical Advisory Service, an agency of the Institute for Public Service, conducted in 1980 a series of workshops throughout the state on the subject of effective risk management at the local level. Two years later, the **Local Government Risk Management Handbook** was published under the auspices of the same National Science Foundation grant that funded the workshop series.

Together, these two related efforts addressed an emerging critical question for local officials: What can be done about the rising cost of insurance? In the case of a number of cities and various units of county governments, the answer has been soliciting proposals or formally bidding insurance coverages.

The publication that follows, **Guidelines for Aiding Tennessee Municipalities in Securing Insurance Bids**, and a similar document prepared for county officials by UT's County Technical Assistance Service, are intended to provide: (1) an easy-to-understand narrative discussion about bidding, coverages and types of insurance; and (2) a set of sample specifications. Distribution of this "how to" manual follows extensive discussions with a number of individuals and groups interested in the broad area of risk management. Specific input was provided by Dr. W. W. Dotterweich, Professor of Finance, The University of Tennessee, Knoxville, and co-author of the **Local Government Risk Management Handbook**; Mr. Jim Alexander, Executive Director and Mr. Charles T. Bidek, Assistant Executive Director, Insurors of Tennessee; and Mr. Robert B. Sprouse, former Administrator of the Tennessee Municipal League Insurance Pool. While their ideas were in many cases incorporated, this publication presents an approach which MTAS believes best represents the interests of Tennessee's 334 incorporated municipalities. It does not necessarily represent the universal opinions of the reviewers.

The Institute sincerely appreciates the assistance provided by all parties involved in the development, and we hope that you find the publication useful.

Sincerely,


Thomas B. Ballard
Executive Director

TBB:md

INSTITUTE AGENCIES

Center for Government Training • Center for Industrial Services • County Technical Assistance Service
Municipal Technical Advisory Service • Critical Care Education Center

TABLE OF CONTENTS

	PAGE
I. Foreword	1
II. Alternate approaches to insuring certain risks	2
III. Usual insurance needs of municipalities	4
IV. General bid specifications & requirements	11
Appendix I -- Governing Body Resolution	14
Appendix II -- Procedural Checklist	15
Appendix III -- Invitation to Bid	16
Appendix IV -- General Bid Requirements	17
Appendix V -- Bid Package -- Automobile	18
Appendix VI -- Bid Package -- Comprehensive General Liability	19
Appendix VII -- Bid Package -- Public Officials Liability	20
Appendix VIII -- Bid Package -- Workers' Compensation	21
Appendix IX -- Bid Package -- Property	22
Appendix X -- Bid Package -- Boiler and Machinery	23
Appendix XI -- Bid Package -- Inland Marine	24
Appendix XII -- Bid Package -- Bonds	25
Appendix XIII -- Bid Package -- Airport	26
Appendix XIV -- Bid Submission Form	27
Appendix XV -- Bid Tabulation Sheet	28

I. Foreword

This document has been prepared for the purpose of assisting municipal officials who have expressed an interest in improving local insurance programs by taking bids or proposals for the municipalities' insurance coverages.

To achieve this purpose this document provides: (1) an explanation of the "bid" process; (2) a discussion of the alternate approaches to covering risks to which the city is exposed; (3) a discussion of the most common types of insurance required by municipalities; and (4) examples of bid packages.

This instrument is part of MTAS's service of documenting its collective knowledge and assistance on various subjects. This is being done in an effort to provide each municipality technical assistance in a self-help form in addition to the traditional services of an on-site consultant.

This document is not intended to preclude on-site assistance, which is always available upon request. However, MTAS involvement beyond this document must be precipitated by a resolution adopted by the municipality's governing body. Upon receipt of such resolution, the MTAS consultant will provide assistance under the procedural direction of such municipal official or officials as named in the resolution. Should the municipality decide to bid its insurance, the MTAS consultant will assist the municipality in the development of the bid document and in the bid review process up to the point of indicating those bids that meet specifications, or noting any deviations from specifications and the impact of such deviations, but the MTAS consultant will not participate in the final discussion concerning the awarding of the bid.

II. Alternate approaches to Covering Risks

Once a municipality has determined that a risk exists and that such risk has to be reduced or eliminated, the next decision to be made is how best to cover that risk.

Commercial insurance. The most common method for managing a risk is the purchase of commercial insurance. The total cost to the municipality is known and can be budgeted for in advance, while the insurance company, within the policy limits and extent of coverage, assumes liability for all losses. Commercial Insurance carriers admitted to do business in the State of Tennessee are regulated by the State. Also, Tennessee has a Guaranty Association comprised of admitted insurance carriers. Should a licensed and admitted carrier lack the financial resources to cover all insured losses the association will pay for such losses. This is accomplished by the association assessing the other licensed insurance carriers for the amount of the losses.

Pooling. Pooling, an alternative to commercial insurance, has the potential for cost saving. Here municipalities transfer risk by joining with others in "pooling" their exposures and financial capabilities. In this way losses can be predicted more accurately and shared equitably, especially as the size of the group increases. Pooling means that cities, in essence, are engaged in risk sharing. This plan implies cost savings through potential dividend returns in good years, but there also exists the potential for assessment in bad years. Pools generally minimize the potential for assessment by purchasing excess or "umbrella" insurance to cover losses which exceed expectations. T.C.A. 29-20-401 provides for oversight of pools by the Department of Insurance.

Self-insurance. Self-insurance is a method of risk management involving active retention of risks as opposed to transfer. Its success requires accurate prediction of losses and the establishment of a fund to pay such losses. Some municipalities may choose to self-insure their general liability or workers' compensation, while others self-insure property exposures. Self-insurance is not to be confused with pure assumption of risk where losses are paid out of current revenues. Generally a plan of self-insurance should not be adopted without considering excess commercial insurance, i.e., an umbrella or stop-loss coverage to prevent financial disaster in the event of catastrophic loss. Consideration of self-insurance contemplates: (1) that the expected losses from a recognized risk are reasonably predictable and will fall within the financial capability of the city to absorb such losses, (2) that an effective loss prevention program is in place or will be established, and (3) that the potential benefits of a self-insurance plan outweigh those of an insured pool or commercial insurance. In Tennessee, cities choosing to self-insure may elect to be or not to be regulated by the state.

Note, however, that many municipalities choose a combination of the above methods for covering risks.

III. Usual Insurance Needs of Municipalities.

1. Public liability protection. Automobile liability insurance should be purchased to satisfy tort claims arising out of the operation of motor vehicles on the streets and highways. T.C.A. 29-20-101, et seq. sets forth the following minimum limits for municipalities per occurrence:

\$100,000 Bodily injury -- per person
\$300,000 Bodily injury -- per accident involving 3 or more persons
\$ 50,000 Property damage

For all other claims, including those brought against individual employees or officials, it is usual to request a \$350,000 combined single limit (\$300,000 bodily injury plus \$50,000 property damage) per occurrence.

Coverage should include protection for the municipality from losses caused by employees using their personal cars or rented cars for city business. This coverage is specified as hired and non-owned coverage. It should be noted that liability limits may be higher in other states and additional coverage may be advisable when city employees travel to other states, perhaps on a trip by trip basis.

Automobile liability, as well as Comprehensive General Liability and Public Officials Liability coverage is better written on an "occurrence" basis rather than on a "claims made" basis. The insuring company will be liable for any accident occurring during the policy period when the policy is of the "occurrence" type, while under a "claims made" coverage, the company is responsible only for claims filed during the policy period. This is significant since the claims may be filed years after a loss occurs, and more importantly, perhaps even after the municipality has changed insurance companies.

2. Physical damage to municipal vehicles. Insurance is usually written to cover damage caused to the city's vehicles.

A. Comprehensive. "Comprehensive" typically covers such losses as fire, theft, windstorm, hail, vandalism, and glass damage. Some of these coverages may be eliminated and the coverage renamed specified perils coverage. For example, if a high deductible is specified, there is no need to purchase glass replacement coverage. The question here is one of the deductible amount. It is recommended that the city specify the highest per loss deductible it can afford in order to lower the cost of this type of coverage. For a small city, a deductible of \$100 or \$200 may be the most that can be afforded, while a large city may decide that a deductible of \$1,000 is appropriate. Specify the largest deductible which can be absorbed by the city's budget.

B. Collision. Most private and public vehicle owners purchase insurance for damage to their automobiles where others are not to blame. "Collision" coverage is the name given to insurance of this type. Financial considerations will dictate decisions concerning this type of coverage. These fundamental decisions relate to the amount of deductible and which vehicles will be covered. High cost vehicles such as fire and garbage trucks, should be covered in most cities. Many cities also cover all vehicles under three years old. Depending on the city's ability to absorb losses, the municipality may want to cover most vehicles, but it is recommended that lower cost and depreciated vehicles not be covered in order to reduce the cost of this coverage. Where insurance is purchased, per deductibles should be as high as can be afforded. Also, consideration should be given to combining high per loss deductibles with a large aggregate (or stop loss) deductible for the entire fleet.

3. Comprehensive general liability.

A. Immunity. Tennessee cities are immune from general liability suits in state courts for certain functions under T.C.A. 29-20-101 et seq. Those functions listed in T.C.A. 29-20-205 need not be insured. For those acts not immune under T.C.A. 29-20-101, the following general liability limits are specified:

\$40,000 Bodily injury or death -- one person
\$80,000 Bodily injury or death -- two or more persons
\$20,000 Property damage

There are two views, however, regarding the amount of comprehensive general liability insurance a municipality should maintain.

One view notes the minimum set by the General Assembly of the State of Tennessee. It is argued, therefore, that there is no legal obligation for a municipality to carry more insurance than the limits required by law. Many cities insure only to these amounts because it meets legal requirements at least cost.

The opposing view holds that if a person is wronged by an act of a municipality or municipal official, it is morally right for the municipality to endeavor to pay reasonable damages, even though greater than the statutory minimum. Under this policy stance, liability insurance would be purchased in excess of that required by law, with the purchased excess limits automatically supplanting the limits provided in T.C.A. 29-20-101 et. seq.

Inasmuch as the minimum limits for automobile liability under T.C.A. 29-20-101 et. seq. are substantially higher, the two opposing views rarely come into play.

It is a policy decision of the governing body of the municipality as to which view should prevail in the implementation of its insurance program.

Those cities that believe citizens should be protected above the legal limits, usually purchase umbrella liability insurance coverage which provides insurance protection above the basic limits of: (1) Comprehensive General Liability, (2) Vehicle Liability, (3) Public Officials Liability Coverage. A city purchases the "underlining coverages," usually in separate policies, and then buys one umbrella policy to cover losses up to \$1 million or more above the underlining coverage. This method provides additional insurance protection at a lower premium cost.

B. Federal suits. The immunity and statutory limits above apply only to those claims which are brought in state court. Additional coverage is required for suits in federal court under section 1983 of the U.S. Civil Rights Act of 1871.

This coverage will protect for suits arising out of law enforcement activities and those arising out of employment suits. The minimum recommended coverage is \$300,000, and some cities have specified up to \$5,000,000 in coverage.

C. Individual employees. Individual employees are not immune under the provisions of TCA 29-20-101 et. seq. and will need protection under the Comprehensive General Liability coverage or under a public officials liability coverage. If they are to be covered here, the minimum coverage amount should be \$300,000, but a higher amount of coverage may be desirable.

Coverage should be bid on an "occurrence," and not a "claims made" basis.

4. Public officials liability coverage.

A. Officials insurance. The purpose of public officials liability coverage is to offer protection for personal liability in addition to

coverage of the municipality. This protection covers both acts committed by individual employees and officials; and failure to act. The city will want to be certain that the definition of "public official" includes members of the governing body, independent boards and commissions and all other employees. Limits of one to five million dollars are common in cities. This type of coverage is less expensive than other forms of liability insurance. Deductibles should be as high as the city can afford, with a "stop loss" set at one, two or three deductibles per year. Again, the insurance coverage should be bid on an occurrence rather than a "claims made" basis.

It is desirable that the Automobile Policy, General Liability Policy and Public Officials Liability Policy be placed with one agent as a package to avoid gaps in coverage to eliminate concerns regarding which policy will pay. Although the three coverages are treated separately in this document, it is good practice to bid and award the three policies together.

5. Workers' compensation.

A. Coverage. A commercial workers' compensation policy will cover all risks and obligations of the city under the State of Tennessee Workers' Compensation Law. Other states and the Federal Government may have higher limits and consequently, in an "all states" endorsement should be required. However, the workers' compensation risk represents an area of municipal liability in which "pooling" and "self-insurance" are often considered viable alternatives.

6. Real and personal property.

A. Type of coverage. Two methods are traditionally used to write on real and personal property insurance coverage. The most common is to schedule the property at a specific value with each property being insured to

its value. Deductibles and coinsurance amounts will apply to each parcel of property.

A second method is the blanket approach. An aggregate dollar value of insurance is purchased, e.g. the sum of the value of all properties, and only one deductible is applied. With blanket coverage, a 90% coinsurance clause is usually required, but the effect of the coinsurance requirement can be modified through an "agreement amount endorsement." Under this endorsement, the insurer stipulates that all covered property is insured to full value, provided the city submits a statement of full values annually. This provision takes care of inflation during the year and unintentional oversights.

B. Replacement cost vs. actual cash value. Replacement cost coverage pays the actual cost to repair or replace the building and contents i.e., "new for old". Actual cash value (ACV) pays only replacement cost less depreciation, which generally costs less but results in less than full reimbursement for the total amount of loss suffered. Each method has advantages and disadvantages. It is important to have a replacement cost policy endorsed to provide that a destroyed structure need not be rebuilt at the same location. This endorsement is particularly desirable for schools and fire stations. In either case it is important to make sure that current property values are accurately reflected and that an adequate amount of insurance is purchased to assure prompt replacement of vital facilities.

C. Deductibles and coinsurance. It should be emphasized again that costs may be lowered by the application of deductibles and coinsurance clauses. It is common for cities to apply deductibles in the range of \$1,000 to \$10,000, but the appropriateness of any deductible must be weighed

against expected frequency of loss, stop loss limits and premium reduction. A "stop loss" would require that no deductible would apply after the first, second or third, or after a specified aggregate amount of loss is absorbed by the city.

A 90% "coinsurance clause" in a policy, (usually required for replacement coverage), means that the city is required to insure the building for at least 90% of its actual value. If the city insures the building for less than 90%, then claims will be paid on a proportionally reduced basis, with the city thus becoming the coinsuror. Small adjustments in the 90% requirement can be made through the agreed amount endorsement, but annual corrections in building values must be reported.

D. All risk vs. named peril. All risk insurance excludes earthquakes, floods and damage caused by boiler explosion. Under named peril insurance, the client specifies the perils to be covered generally resulting in less coverage at less cost.

E. Contents. Many bid specifications neglect contents coverage. Contents of buildings should be inventoried and valued on a schedule in the bid package. Deductibles and coinsurance requirements may be applied here as well.

7. Boiler and machinery.

A. Coverage. As previously mentioned, most property insurance policies exclude damage caused by boiler explosion. Especially designed boiler and machinery policy applies not only to steam boilers, but to other pressure vessels, refrigerating equipment, turbines, generators and motors. The coverage is primarily public liability, but physical damage may be included as well. The limited form of boiler and machinery applies only to boiler explosion and the broad form covers other damages which can occur to the boiler. An important attraction of boiler insurance coverage is the

inspection service provided by the insurer, the cost of which is included in premium.

8. Inland marine.

A. Coverage. Inland marine is the name given to a special type policy by which a city may insure its equipment against loss or damage. The policy is much like comprehensive and collision on vehicles. Unlicensed motor vehicles and office equipment are two examples of equipment covered. Care must be taken to specify information systems coverage if the city owns a computer.

9. Bonds.

A. Faithful performance bond. A faithful performance bond goes beyond the theft of money or property into financial loss caused by neglect of duty or wrongful acts causing a loss to the city. The Chief Executive Office of the city (and perhaps others) should be bonded in this manner.

B. Fidelity bond. Employees who handle money should be placed under a fidelity bond in amounts large enough to cover possible loss.

C. Blanket bond. All city employees not covered by the above bonds should be covered by a blanket fidelity bond in an amount ranging from \$5,000 to \$20,000.

NOTE: The city charter or code may specify which employees are to be bonded and the amount required.

IV. General Bid Specifications and Requirements

1. Coverage period. It is recommended that the bids be requested and contracted for a three year period, subject to annual cancellation by either the municipality or insurance carrier. The reason for the three year period is that the insurance agent and carrier can usually provide a lower bid and ordinarily will result in a more stable cost to the city.

Even though bids are awarded for 3 years, the actual premium quote in the bid applies only to the first of those 3 years. Regardless of the agent's or city's efforts, there may be factors, such as high claims experience or changes in the market that will cause the second and/or third year premiums to increase. In the event of a premium increase, the city must decide whether to absorb the increase or exercise the option to re-bid. Another reason is to fix insurance costs in a rising market. In a declining cost era, however, a three year contract may work against benefiting from otherwise available cost reductions.

After bid specifications are developed and mailed, questions are sure to arise. It is crucial to the process that all prospective bidders receive the same information. It is recommended that any questions be submitted in writing and be answered in writing or that a "pre-bid conference" be set where all potential bidders may ask questions and receive uniform answers and information. These procedures will reduce controversy and increase the probability of quality bidding and, therefore, a quality insurance program.

If controversy arises after bids are opened, it may be useful to have a post bid conference to explain the basis upon which final contracts were awarded.

5. Municipal entities covered. The bid document should specify what officials and agencies are to be covered. The bid specification may or may not include school boards and utility boards. Airports, hospitals and nursing homes are specifically excluded from T.C.A. 29-20-101 et seq. and therefore specifications should be drawn specifically to account for their differing needs.

6. Information required by vendor. In order to bid, the vendor will require certain information such as equipment lists, property lists and

payroll information. Also, bidders need to know the coverages desired and the recent loss history concerning covered property or entities. Blank forms for that information is included in this report. Make sure that the bid package information forms are properly completed. In the pre-specifications meeting, agents may list the additional information which may be required by their companies. At that time, information can be made available to all potential bidders.

Appendix I
Governing Body Resolution

A RESOLUTION

WHEREAS, it has been determined by _____
(Governing Body)

that it will be beneficial in terms of economics and risk management to
analyze existing coverage and to bid the city's insurance coverage;

NOW, THEREFORE, BE IT RESOLVED BY THE _____
(Governing Body)

of the (City) (Town) of _____, Tennessee, that the
Municipal Technical Advisory Service of the Institute for Public Service,
University of Tennessee, be and is hereby requested to analyze coverage and
to prepare insurance specifications for the following types of insurance:
(Automobile) (Comprehensive General Liability) (Public Officials Liability)
(Worker's Compensation) (Property) (Boiler & Machinery) (Inland Marine)
(Bonds) (Airport). MTAS is further requested to work with and follow the
suggestions of the _____ in preparation of
(Official)
said specifications.

Done this _____ day of _____, 19__.

ATTEST:

City Recorder

Mayor

Appendix II
Procedural Checklist

1. Pre-Specifications meeting. It is recommended that all agents of record and other interested agents and companies be invited to a meeting to discuss current levels of coverage and propose new levels and coverages.
2. Preparation of bid document. Prepare the bid document using information contained in this report and other sources.
3. Pre-Bid conference. After the bid document is mailed, a pre-bid conference should be held so that all interested bidders will receive the same interpretation of material contained in the bid document. Ideally, requests for interpretation or information should be in writing and submitted in advance.
4. Tabulation of bids. It is recommended that bids be tabulated or "spread" on one or two sheets of paper. A suggested tabulation sheet is in Appendix XV of this report. The purpose of a compact tabulation sheet is to facilitate comparing cost, coverage and deviations from bid specifications.
5. Post bid conference. Many units of government find it helpful to hold a post bid conference, particularly if the bids are close. The purpose of the post bid conference is to give agents the opportunity to discuss the cost, coverage and deviations from specifications, but not to adjust bid amounts.
6. Award of contracts. It should be emphasized that the governing body or, in some cases, the Chief Executive Office will be legally responsible for award of contracts. It is the responsibility of staff persons to provide tabulation sheets, point out deviations from specifications and provide all other pertinent information. (IPS/MTAS policy does not permit consultants to recommend "best bid" or which bid to accept. Their participation is limited to providing the information listed above in the most professional and helpful manner.)

7. Proof of purchase. It is recommended that municipalities take steps to insure that coverage purchased is the same as coverage bid. This can be done either by having professional assistance in reviewing the delivered policies and/or requiring the agent to provide proof of errors and omissions coverage for his practice. It may suffice to simply require certification by the agent that his policies are in conformance with bid specifications.

Appendix III
Invitation to Bid

INVITATION TO BID

_____ of _____

Sealed bids for insurance will be received by the _____
_____ until _____
Time, _____, 19____. and opened publicly by _____
_____.

Bids received after the stated time, postmarks notwithstanding, shall be
rejected. The insuring period will begin at 12:01 A.M. Time, _____
_____ and remain in force until 12:01 A.M., _____.

The insurance to be provided will include (comprehensive automobile liability and physical damage), (comprehensive general liability), (public officials liability), (workers' compensation), (property), (boiler and machinery), (inland marine), (bonds), and (airport liability). Bid packages are available at the _____ Office, _____
Hall, _____ of _____, Tennessee.

Bids are to be submitted on the form contained in this package.
Deviations from specifications must be clearly identified in the bid submitted by the vendor.

Appendix IV
General Bid Requirements

_____ OF _____, TENNESSEE

GENERAL BID SPECIFICATIONS AND REQUIREMENTS

1. Coverage shall be effective _____, 19____. Bids will be awarded for a one or three-year period. Annual premium adjustments can be made for those lines of coverage where three-year premiums are prohibited by insurance department regulations. The City reserves the right to cancel insurance coverage at any time and on any annual anniversary date and to rebid any coverages in which annual renewal premium increases exceed 5%. The city must be notified sixty (60) days in advance of annual anniversary date of any premium increases. It is the city's intent that all lines of coverage will be bid independently and may be awarded individually or in any combination.
2. If exceptions from coverages are made, exceptions must be clearly stated on each coverage.
3. Envelopes containing the bids shall be sealed and marked "Sealed Bids for Insurance."
4. Insurance companies submitting bids must be authorized to do business in the State of Tennessee and be rated A:X or better in Best Key Rating Guide.
5. The bidder is required to examine carefully the specifications and risks to be covered. It will be assumed that the bidder has made such investigations and is fully informed as to the extent and character of the hazards and requirements of the specifications. No warranty is made or implied as to information contained in these specifications.
6. All bids shall show or conform to the following, in addition to other information required upon the bid form:

A. Name of Proposed Insurance Company.

B. Insurance Company rating as per Best's Insurance Guide.

C. All policies which do not comply with the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-101 et seq.) will be construed to comply with such Act as provided by section 405. Coverage shall not apply to actions for which the city is immune under T.C.A. 29-20-205. However, policies must include a waiver of tort immunity as respects all other claims.

7. All bids shall have an attachment thereto giving a description of services to be supplied as part of the insurance coverage (engineering, inspection, and educational). A brief description of claims of adjustment service shall be included.
8. Cancellation, termination, or expiration of the policy by the insurer or insured shall require thirty (30) days notice.
9. All bidders must agree in writing to furnish the City a monthly report of all incurred claims, including but not necessarily limited to, such information as the date of and type of claim, property, persons and locations involved, and amount of claims, both paid and outstanding.
10. All bidders must agree to furnish a statement of loss experience within fifteen (15) days following the anniversary of the policy including a detailed analysis of pending claims.
11. All policies are to cover any newly acquired property or location of the insured, provided such property or location be reported to the company within ninety (90) days of such acquisition or assumption of responsibility. Exposures not reported to the company within the

ninety (90) days period will cease to be insured hereunder until such time as the required notice of additional exposure has been rendered to the company. The maximum limit of the company's liability for newly acquired property or locations under this agreement shall be the highest limit of applicable liability previously declared by the insured. It is agreed that if the total value of new property at risk is less than \$100,000, it is exempt from the ninety (90) day reporting requirements but is to be included in the next declaration of values by the insured if coverage is to remain in force hereunder after that date.

12. The City would like all bidders to submit any installment payment options for the policy their company might be able to grant to the City if they are the successful bidder. (For instance, instead of one annual payment at the beginning of the policy term, would there be an opportunity to make monthly, semi-annual or quarterly payments?)
13. No oral interpretation will be made to any Bidder as to the meaning of the bid specifications or any part thereof. Every request for interpretation shall be made in writing to the _____. Any inquiry received seven (7) or more days prior to the date fixed for opening of bids will be given consideration. Every interpretation made to a Bidder will be in the form of an Addendum to the Bid Specifications and, when issued, will be on file in the office of the _____ at least three (3) days before Bids are opened. In addition, all Addenda will be mailed to each person holding Bid Specifications, but it shall be the Bidder's responsibility to make inquiry as to the Addenda issued. All such Addenda shall become part of the Bid Specifications and all Bidders shall be bound by such Addenda, whether or not received by the Bidders. Bidders must

acknowledge in writing receipt of addendum and include this acknowledgement with his bid.

14. Bids will be received by the _____ of _____ until _____, Time, _____, 19____, and opened publicly by the _____ and _____. Bids received after the above stated time, postmarks notwithstanding, shall be rejected.
15. No bid shall be withdrawn for a period of sixty (60) days subsequent to the opening of the Bids, without consent of the _____ of _____, Tennessee.
16. The _____ of _____ will make the award as soon as practicable to the (lowest responsible) best bidder, price and other factors considered. The _____ of _____ reserves the right to reject any or all bids when such rejection is deemed in the best interest of the _____.
17. For additional information and loss experience, contact the _____.
18. A pre-bid conference for all persons holding Bid Specifications is scheduled in the office of the _____ on _____, 19____, at _____.

Appendix V

Automobile Liability and Physical Damage

Comprehensive Automobile Liability and Physical Damage

Policy shall include coverage for all claims which the city is subjected to under T.C.A. 29-20-101 et seq.

Named insured shall include:

Governmental Entity
All members of the governing body
All members of the Board or Commissions
All elected and appointed officials
All employees
Volunteer firemen and auxiliary policemen

(includes) (excludes):

School board and employees
Utility board and employees

Excludes:

Airport or aircraft operations
Hospitals and nursing homes
Nuclear energy operations

Limits of Liability - For claims subject to T.C.A. 29-20-101 et seq.

Limits of Liability are:

\$100,000 Bodily injury one person per occurrence
\$300,000 Bodily injury two or more persons per occurrence
\$ 50,000 Property Damage

For all other claims, including those brought against individual employees or public officials - \$350,000 Combined single limit bodily injury and property damage. Policy shall include hired and non-owned coverage.

Physical Damage

\$ _____ deductible on comprehensive

\$ _____ deductible on collision

The City carries physical damage on some licensed equipment, as indicated on the attached schedule.

SCHEDULE OF LICENSED EQUIPMENT

Description	Serial Number	Original Cost New	Department	Physical Damage (as indicated only) (Comprehensive) (Specified perils)	Collision
-------------	------------------	----------------------	------------	--	-----------

EXPOSURE INFORMATION

AUTOMOBILE LIABILITY AND PROPERTY DAMAGE

Three year loss history (by year):

Pending claims, by claim:

Appendix VI
Comprehensive General Liability

NOTE: Two choices are provided here. One option conforms to statutory law and the other is left blank for insertion of greater limits. Use the one which reflects local preference.

COMPREHENSIVE GENERAL LIABILITY

Policy shall include coverage for all claims which the city is subjected to under T.C.A. 29-20-101 et seq. Coverage shall specifically include injury arising out of false arrest, false imprisonment unlawful detention, malicious prosecution, libel, slander, defamation, violation of section 1983 of the Civil Rights Act of 1871 and claims arising as a result of state and/or federal anti-trust laws.

Named insured shall include:

- Governmental Entity
- All members of the governing body
- All members of the Board or Commissions
- All elected and appointed officials
- All employees
- Volunteer firemen and auxiliary policemen

(includes) (excludes):

- School board and employees
- Utility board and employees

Excludes:

- Airport or aircraft operations
- Hospitals and nursing homes
- Nuclear energy operations

Coverages:

1. Coverage shall not apply to actions for which the municipality is immune under T.C.A. 29-20-101 et seq.
2. For claims subject to T.C.A. 29-20-101 et seq. the following limits of liability will be written:

- \$40,000 Bodily injury or death - one person per occurrence
- \$80,000 Bodily injury or death - two or more persons per occurrence
- \$20,000 Property damage

3. For all other claims including those against individuals or claims filed in federal court, the following combined single limit for bodily injury, personal injury and property damage will apply:

\$1,000,000

4. If separate liability policies have to be quoted in order to provide the coverage requested, supply specimen copies of the policy forms with bid, and include annual premium on CGL bid line.

Alternate I

COMPREHENSIVE GENERAL LIABILITY

Policy shall include coverage for all claims which the city is subjected to under T.C.A. 29-20-101 et seq. Coverage shall specifically include injury arising out of false arrest, false imprisonment unlawful detention, malicious prosecution, libel, slander, defamation, violation of section 1983 of the Civil Rights Act of 1871 and claims arising as a result of state and/or federal anti-trust laws.

Named insured shall include:

Governmental Entity
All members of the governing body
All members of the Board or Commissions
All elected and appointed officials
All employees
Volunteer firemen and auxiliary policemen

(includes) (excludes):

School board and employees
Utility board and employees

Excludes:

Airport or aircraft operations
Hospitals and nursing homes
Nuclear energy operations

Coverages:

1. Coverage shall not apply to actions for which the municipality is immune under T.C.A. 29-20-101 et seq.
2. For claims subject to T.C.A. 29-20-101 et seq. the following limits of liability will be written:
 - (\$) Bodily injury or death - one person per occurrence
 - (\$) Bodily injury or death - two or more persons per occurrence
 - (\$) Property damage

3. For all other claims including those against individuals or claims filed in federal court, the following combined single limit for bodily injury, personal injury and property damage will apply:

(\$)

4. If separate liability policies have to be quoted in order to provide the coverage requested, supply specimen copies of the policy forms with bid, and include annual premium on CGL bid line.

EXPOSURE INFORMATION

COMPREHENSIVE GENERAL LIABILITY

Total Operating Expenditures \$
Capital Improvements \$
Net Operating Expenses \$
Public Buildings _____ total square feet
Streets _____ miles maintained
Swimming pools _____ annual receipts
Parks/Playgrounds _____ total acres

Departments

Annual Budget

Animal Control
Automobile Repair Shop
Buildings-Maintenance (Janitors)
Cemeteries
City Managers/Administrators
Clerical Office Employee
Electric Distribution Employees (except
clerical)
Firemen-Full Time
Firemen-Volunteer
Garbage or Refuse Collection & Drivers,
including Land Fill
Gas Department-All Employees except
clerical
Inspectors-Outside
Parks
Policemen-except dispatchers
Public Library or Museum: Professional
Employees
Schools: Professional Employees &
Clerical
Schools-All Other Employees
School Bus Drivers
Sewage Disposal Plant Operation
Sewer Cleaning/Maintenance
Street Cleaning
Street or Road Paving and Maintenance
Waterworks

Three year loss history (by year):

Claims pending, by claim:

Appendix VII
Public Officials Liability

NOTE: Two choices are provided here.
One is for the most common limit
of \$1,000,000 and the other is left
blank for higher limits. Use the
one which reflects local preference.

Public Officials Liability

The policy shall cover the governmental entity and all employees and public officials against wrongful acts.

Named insured shall include:

Governmental Entity
All members of the governing body
All members of Boards or Commissions
All elected and appointed officials
All employees
Volunteer firemen and auxiliary policemen

(includes) (excludes):

School board and employees.
Utility board and employees

Limits of Liability: \$1,000,000 per occurrence

Indicate deductible and any governmental operations not covered by the policy.

All policies which do not comply with the Tennessee Governmental Tort

Liability Act will be construed to comply as provided by T.C.A. 29-20-405.

Alternate I

Public Officials Liability

The policy shall cover the governmental entity and all employees and public officials against wrongful acts.

Named insured shall include:

Governmental Entity
All members of the governing body
All members of Boards or Commissions
All elected and appointed officials
All employees
Volunteer firemen and auxiliary policemen

(includes) (excludes):

School board and employees
Utility board and employees

Limits of Liability: \$ ____ 000,000 per occurrence

Indicate deductible and any governmental operations not covered by the policy.

All policies which do not comply with the Tennessee Governmental Tort

Liability Act will be construed to comply as provided by T.C.A. 29-20-405.

PUBLIC OFFICIALS LIABILITY
EXPOSURE INFORMATION

Financial

<u>Year</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Surplus + or Deficit -</u>
19__ - __ audited			
19__ - __ audited			
*19__ - __ budget			

*These figures include capital projects.

Members of Governing Board

Aldermen and Mayor - Total _____

Claims received in last 3 years _____

Claims pending _____

Population -

Employees -

Licensed or certified positions -

Administration

City Governing Body administers primarily basic city services, but also includes:

Does not include:

Appendix VIII
Workers' Compensation

Workers' Compensation

To cover all risks and obligations of the city under the State of Tennessee Workmen's Compensation Law, including all states coverage.

If a dividend plan is available, submit alternate proposal describing such plan, as Alternate.

<u>Classification</u>	<u>Code</u>	<u>Annual Payroll</u>
Animal Control	0170	
Automobile Repair Shop	8391	
Buildings-Maintenance (Janitors)	9014	
Cemeteries	9220	
City Managers/Administrators	8742	
Clerical Office Employee	8810	
Electric Distribution Employees (except clerical)	7539	
Firemen-Full Time	7704	
Firemen-Volunteer		
Garbage or Refuse Collection & Drivers, including Land Fill	9403	
Gas Department-All Employees except clerical	7502	
Inspectors-Outside	9410	
Parks	9102	
Policemen-except dispatchers	7720	
Public Library or Museum: Professional Employees	8810	
Schools: Professional Employees & Clerical	8868	
Schools-All Other Employees	9101	
School Bus Drivers	7380	
Sewage Disposal Plant Operation	7580	
Sewer Cleaning/Maintenance	9402	
Street Cleaning	9402	
Street or Road Paving and Maintenance	5506	
Waterworks	7520	

Experience modification on current policy: _____

Previous year: _____

Appendix IX

Property

Real and Personal Property

Alternate I:

Limits of coverage will include All-Risk blanket coverage on an Actual Cash Value basis and a \$ _____ deductible. Policy shall include Coverage "A" (Real Property) and "B" (Personal Property).

Aggregate deductible(s):

Property deductibles will cease after (1) (2) (3) deductibles are applied.

Alternate II:

Coverage on a Replacement basis, with (80%) (90%) coinsurance and a \$ _____ deductible.

Alternate III:

Bid price for earthquake and collapse coverage with \$ _____ deductible.

DESCRIPTION AND LOCATION OF PROPERTY

Description

Coverage A

Coverage B

Appendix X
Boiler and Machinery

Boiler and Machinery

Full boiler and machinery coverage in accordance with the attached schedule on the same basis as bid for real and personal property. Coverage shall be on (broad) (limited) form and inspection service shall be included in premium. State number of inspections per year.

Boiler and Machinery

Schedule

Location

Type

Appendix XI
Inland Marine

Inland Marine

Unlicensed equipment.

All risk coverage with a \$ _____ deductible.

Information systems. (OPTIONAL)

Information systems are to be included on a replacement basis with 100% coinsurance. If a separate policy is required, please include sample policy and include the cost thereof in the bid line for inland marine.

SCHEDULE OF UNLICENSED EQUIPMENT
(CONTRACTORS' EQUIPMENT SCHEDULE)

<u>Description</u>	<u>Serial Number</u>	<u>Value</u>	<u>Deductible</u>
--------------------	----------------------	--------------	-------------------

Appendix XII

Bonds

Bonds

Bonds are to be bid in accordance with the schedule below:

<u>Name</u>	<u>Type of Bond</u>	<u>Amount</u>
-------------	---------------------	---------------

Appendix XIII

Airport

Airport Coverage

Airport Owners General Liability Policy shall provide bodily injury liability and property damage liability coverage on an occurrence basis.

(\$100,000)	(\$) Bodily injury - one person
(\$300,000)	(\$) Bodily injury - two or more persons
(\$ 50,000)	(\$) Property damage

Appendix XIV
Bid Submission Form

INSURANCE BID FORM

<u>COVERAGE</u>	<u>ANNUAL PREMIUM</u>
Automobile Liability and Property Damage	\$ _____
Comprehensive General Liability	\$ _____
Public Officials Liability	\$ _____
Sub-total, liability	\$ _____
Worker's Compensation	\$ _____
Property - Alternate I	\$ _____
Property -- Alternate II	\$ _____
Earthquake - Alternate III	\$ _____
Boiler and Machinery	\$ _____
Inland Marine	\$ _____
Bonds	\$ _____
Airport	\$ _____

This bid is submitted in accordance with the specifications and conditions contained in the Bid Document.

COMPANY

BY: _____
AUTHORIZED REPRESENTATIVE

ADDRESS

TELEPHONE

DATE

Appendix XV
Bid Tabulation Sheet

BID TABULATION FORM

COMPANY

Automobile Liability and Property Damage							
Comprehensive General Liability							
Public Officials Liability							
Worker's Compensation							
Property -- Alternate I							
Property -- Alternate II							
Earthquake -- Alternate III							
Boiler and Machinery							
Inland Machinery							
Bonds							
Airport							
LOW BID							

